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Communities Economic Development Fund

ANNUAL REPORT

1989 - 90



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TITLE _____

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communities economic development fund



June 1, 1990

Honourable Jim Downey,
Minister Responsible for
Communities Economic Development Fund,
Room 333, Legislative Building,
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Downey:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1990, signed and certified in the prescribed manner.

Respectfully Submitted,

Harold Westdal
Interim Chairperson

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Mr. Harold Westdal
(Appointed Dec. 1989)

Winnipeg

Mr. William Bennett
(Deceased Mar. 1990)

Matheson Island

Mr. Elbert Chartrand

Swan River

Mr. George Dram

Wabowden

Mr. Leonard McKay

Norway House

Ms. Betty Thorsteinson

Westbourne

Mr. Peter Wintemute

Winnipeg

OFFICERS

Mr. Ted Chiswell

General Manager

Mr. Alec Musgrove

Corporate Secretary

GENERAL MANAGER'S REVIEW

June 1, 1990

MANDATE

The Fund provides financial assistance in the form of loans to entrepreneurs who cannot access funding through normal lending institutions. The Fund works with industry, government programs and the entrepreneur to coordinate and support the growth of economic development in northern and rural Manitoba.

STATISTICS AND REPORTS

The Communities Economic Development Fund approved a total of 38 loans totalling \$1,681,090 during the 1989-90 year. The loans were distributed through twenty Manitoba communities with 84% of the loans in northern or remote communities. The Fund's management and staff, at the same time, continued to supervise and monitor its total active loan portfolio of 170 accounts. The total number of jobs created and maintained in the loans approved during the year was 136. Existing loans being supervised included an additional 320 jobs. Administrative costs cover both new loans and supervising existing loans. Goals that were attained in 1989-90 include an overall reduction in costs by 25% despite normal inflation. The total amount of loans approved increased from \$725,243 to \$1,681,090. The Fund was able to produce more work with fewer staff members.

The bar graph in figure 1 displays the outstanding loan balances for year ends from 1981 to 1990 in thousands of dollars. The allowance for loss and administrative costs are also displayed in the graph.

CHANGE IN CHAIRPERSON

I would like to pay recognition to Mr. Bill Bennett, Past Chairperson of the Communities Economic Development Fund, who passed away in March, 1990. Mr. Bennett was a true pioneer of the North who dedicated his time and effort over and above his own livelihood to be on the Board of Directors of CEDF since 1974. His contribution is much appreciated. Mr. Harold Westdal was appointed Interim Chairperson on December 6, 1989.

CHANGE IN GENERAL MANAGER

With the decentralization announcement of the Communities Economic Development Fund in March, 1990, General Manager Ted Chiswell made known his intentions to resign from his position with the Fund. Mr. Chiswell assumed the position of full-time General Manager of the Manitoba Development Corporation and Ms. Loretta Clarke was hired as General Manager of the Communities Economic Development Fund on April 24, 1990.

BOARD OF DIRECTORS

Monthly meetings are held by the Board of Directors to address policy matters, current operations and consider loan submissions.



Loretta Clarke, General Manager

FIGURE 1

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REPORT OF LOANS PROVIDED OR TO BE PROVIDED

FISCAL YEAR	APPLICATIONS APPROVED	AMOUNT	JOBS CREATED AND/OR RETAINED
1972	19	389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
1983	31	2,138,275	138
1984	49	2,080,595	144
1985	63	2,326,548	172
1986	43	2,909,735	159
1987	66	3,573,294	215
1988	70	3,550,050	210
1989	22	725,243	31
1990	38	1,681,090	136
	755	\$ 30,549,630	2,402

COMMUNITIES ECONOMIC DEVELOPMENT FUND

LOANS APPROVED IN THE YEAR ENDING MARCH 31, 1990

			Interest	Year	LOAN	Nature of Operation
413	William Johnston	Pine Falls	9.875	3	21,489	Skidder
417	Louise & Daniel Foubert	Churchill	10.625	10	140,000	Hotel
442	Lloyd A. Pourre	Wabowden	10.625	10	57,810	Service Station
474	Jones & Sons Autobody Ltd.	Arborg	10.625	8	99,000	Auto Repair
479	Lorraine Fortin/Jean Duplisea	The Pas	11	8	47,000	Toning Studio
482	Sydney G. Burton	The Pas	11.5	6	25,000	Shoe Repair
483	Abel Martin	The Pas	11.5	3	24,000	Skidder
487	Clifford Everett Jr.	Bereas River	11	3	42,000	Road Constr.
488	Peter Houchie	Bereas River	11.0	3	60,440	Skidder
489	Edward Kemp	Bereas River	11	3	60,440	Skidder
490	Lawrence Sinclair	Bereas River	11.0	3	60,440	Skidder
493	Leonard G. Elder	The Pas	11.5	3	13,900	Taxi
494	Northwest Wild Rice	The Pas	10.5	1	200,000	Rice Processing
499	George W. Sanderson	Wabowden	10.25	3	87,475	Skidder
501	Villard Demery	The Pas	10.625	3	29,000	Skidder
502	Armand Barbeau	Cranberry Ptge.	11.0	2.5	23,000	Skidder
508	Boreen Henderson	Wabowden	10.25	1	3,290	Taxi
513	Ivon Sabar	Hanigotagan	10.625	2	10,000	Trucking
519	Randall G. Ducharme	Seymourville	10.25	4	20,200	Skidder
523	John L. McLeod	Cross Lake	9.875	5	37,000	School Bus
524	Ethel R. Johnston	Dauphin	10.5	5	39,360	Toning Studio
528	Alphus Wilson	Norway House	9.875	2	7,790	Taxi
531	Donald E. Lindsay	The Pas	10.5	3	14,200	Taxi
533	Leanne Peaslee	Gillan	10.5	5	40,500	Florist Shop
540	Northern Inn 2448069 Man.	Thompson	10.5	3	100,740	Hotel
541	Patsy H. Clark	The Pas	10.875	4	23,000	Clothing retail
544	Max S. Dudar	Ethelbert	10.5	4	64,290	Trucking
556	Gilbert North	Oxford House	10.875	2.5	59,091	Road Constr.
561	James & Ashley Guilboche	Camperville	10.875	5	65,640	Skidder
567	Gypso Bakery	Churchill	10.875	5	40,000	Bakery
579	Gary B. Dudar	Dauphin	12.125	5	11,340	Skidder
580	Lloyd A. Pourre	Wabowden	12.125	3	12,000	Service Station
581	Russell D. Cook	Grand Rapids	12.125	0.5	3,500	Skidder
582	Keith H. Seymour	Seymourville	12.125	2	4,900	Snackbar
589	Charles V. Lewis	The Pas	12.125	3	9,475	Beon Products
592	John A.L. Dear	Hanigotagan	10.5	4	10,700	Skidder
593	Marion B. Langan	Barrows	12.125	1.5	7,000	Water hauling
599	Wabnan Trucking Ltd.	Wabowden	11.0	1	90,000	Trucking
					1,681,090	

COMMUNITIES ECONOMIC DEVELOPMENT FUND

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**SILL
STREUBER
FISKE
& COMPANY**
CHARTERED ACCOUNTANTS

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WINNIPEG MANITOBA
R3C 0N1
(204) 944-8720
FAX (204) 947-3468

OFFICES AT
SELKIRK
MORDEN
WINKLER
ALTONA

PARTNERS
N FISKE C A
R FILUK F C A
K M McLEAN C A
W D BOOMAN C A
M M JONES C A
K W GROWER C A
S G ANDREW C A
F A WIEBE C A
N FRY C A
W W FINDLATER C A
R J MARTENS C A
E A KURBIS C A
D L ANDERSON C A

CONSULTANT
E B STREUBER C A

THOMAS SILL C A (1927-1986)

AUDITORS' REPORT

We have examined the balance sheet of Communities Economic Development Fund as at March 31, 1990 and the statements of operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Communities Economic Development Fund as at March 31, 1990 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The March 31, 1989 comparative statements were reported on by other auditors.

Winnipeg, Manitoba
June 1, 1990

Sill Streuber Fiske & Company.
Chartered Accountants

COMMUNITIES ECONOMIC DEVELOPMENT FUND

BALANCE SHEET
March 31, 1990

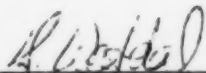
ASSETS

	<u>1990</u>	<u>1989</u>
Cash and term deposits	\$2,375,143	\$1,625,550
Due from Province of Manitoba (Note 8)	836,575	868,822
Accounts receivable	650	4,028
Loans and mortgages receivable (Notes 2 and 4)	4,598,159	5,228,056
Fixed assets (Notes 2 and 10)	<u>39,517</u>	<u>60,754</u>
	<u>\$7,850,044</u>	<u>\$7,787,210</u>

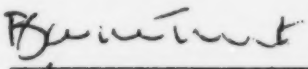
LIABILITIES

Accounts payable and accrued liabilities	\$ 112,388	\$ 32,011
Due to Manitoba Development Corporation (Notes 1 and 2)	26,433	84,976
Accrued pension liability (Note 2)	294,000	153,000
Advances by the Province of Manitoba (Note 3)	<u>7,417,223</u>	<u>7,517,223</u>
	<u>\$7,850,044</u>	<u>\$7,787,210</u>

Approved on behalf of the Board



Director



Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF OPERATIONS
Year ended March 31, 1990

	<u>1990</u>	<u>1989</u>
<u>EXPENDITURES</u>		
Administrative (Page 8)	\$ 895,893	\$1,202,597
Provision for doubtful accounts on loans		
Approved in current fiscal year	68,600	37,000
Approved in previous fiscal year	66,951	170,500
Approved in prior years	569,452	482,991
	<u>\$1,600,896</u>	<u>\$1,893,088</u>
<u>REVENUE</u>		
Loan interest	\$ 620,265	\$ 629,601
Miscellaneous	38,501	47,664
	<u>\$ 658,766</u>	<u>\$ 677,265</u>
Net costs of operations before extraordinary items	<u>\$ 942,130</u>	<u>\$1,215,823</u>
<u>EXTRAORDINARY ITEMS</u>		
Past service pension fund cost (Note 2)	\$ 141,000	\$ 153,000
Court award and legal costs (Note 7)	200,449	
Cancellation of previous debt from Province (Note 3)	(100,000)	
	<u>\$ 241,449</u>	<u>\$ 153,000</u>
Excess of expenditures over revenue	\$1,183,579	\$1,368,823
<u>SUBSIDY FROM THE PROVINCE OF MANITOBA</u>	<u>1,183,579</u>	<u>1,368,823</u>
	<u>\$ Nil</u>	<u>\$ Nil</u>

COMMUNITIES ECONOMIC DEVELOPMENT FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended March 31, 1990

	<u>1990</u>	<u>1989</u>
<u>CASH PROVIDED (USED) BY</u>		
<u>Operating activities</u>		
<u>Operations</u>		
Excess of expenditures over revenue	(\$1,183,579)	(\$1,368,823)
Items not involving cash		
Depreciation	10,318	10,632
Provision for doubtful accounts	705,003	690,491
Cancellation of previous debt from Province	<u>100,000</u>	
Cash used by operations	\$ (368,258)	\$ (667,700)
Net change in non-cash working capital balances	24,504	(388,605)
<u>Lending activities</u>		
Loans issued	(1,378,269)	(984,864)
Loan principal payments	1,374,421	1,133,524
(Purchase) disposal of office equipment	<u>13,616</u>	<u>(1,434)</u>
	<u>\$ (333,986)</u>	<u>\$ (909,079)</u>
<u>Financing activities</u>		
Subsidy - Province of Manitoba (Note 1)	\$1,183,579	\$1,368,823
Advances by the Province of Manitoba (Note 3)	<u>(100,000)</u>	<u>500,000</u>
	<u>\$1,083,579</u>	<u>\$1,868,823</u>
Increase in cash and term deposits	\$ 749,593	\$ 959,744
Cash and term deposits, beginning of year	<u>1,625,550</u>	<u>665,806</u>
Cash and term deposits, end of year	<u><u>\$2,375,143</u></u>	<u><u>\$1,625,550</u></u>

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1990

NOTE 1

Nature of the Fund

The Communities Economic Development Fund (The Fund) was established as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. The Fund places emphasis upon the economic development of northern Manitoba. However, applicants from other communities within the Province are also considered. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result, the Fund depends on a subsidy from the Province of Manitoba.

NOTE 2

Significant accounting policies

Allowance for doubtful accounts

The specific provision for doubtful accounts on loans and interest receivable is based on a specific percentage provision for all accounts in arrears over ninety days plus a provision on an account by account basis where deemed necessary.

Commencing in the year ended March 31, 1990 a non-specific provision equal to 5% of the remaining loans not specifically provided for has been made. This non-specific provision is intended to cover losses on loans which have not yet been specifically identified.

Administrative expenses

The Fund is jointly administered with the Manitoba Development Corporation (MDC). At the year end, common administrative expenses are reviewed and allocated between MDC and the Fund on a proportionate basis. Any significant difference between the administrative expenses paid by the Fund and the prorated administrative expenses is either recovered from or reimbursed to MDC.

Pension expense and obligations

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Communities Economic Development Fund will contribute 50% of the pension payments made to retired employees. The current pension expense is determined on the basis of an actuarial valuation. In addition, the past service obligations are being charged to operations over a ten year period. Payments to pensioners are charged against the liability account.

During 1989, the Fund changed its method of accounting for pension expenses and obligations. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations and to fund past service obligations over a ten year period. On the basis of an actuarial report, the unfunded liability amounted to \$419,812 at December 31, 1989 (\$473,024 at December 31, 1988). This change in accounting policy for pension expense and obligations has been applied prospectively and has resulted in an additional \$294,000 being charged to operations in 1989 and 1990.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1990

NOTE 2 (Continued)

Significant accounting policies (Continued)

Depreciation

Office furniture and equipment is depreciated at 10% on a straight-line basis.

NOTE 3

Advances by the Province of Manitoba

Funds are advanced by the Province by way of interest-free conditional grants to a revolving fund for the purpose of making direct loans and loan guarantees. If the Communities Economic Development Fund should cease operations, then all remaining funds will be returned to the Province.

The funds advanced are as follows:

	<u>1990</u>	<u>1989</u>
Balance, beginning of year	\$7,517,223	\$7,017,223
Funds advanced during the year		500,000
Debt cancelled (as below)	<u>(100,000)</u>	
Balance, end of year	<u>\$7,417,223</u>	<u>\$7,517,223</u>

The Province has confirmed that an amount of \$100,000 that was previously set up as a liability has now been cancelled.

The balance of available capital authority as at March 31, 1990 is \$3,005,000 for direct loans and \$1,400,000 for loan guarantees. Any funds drawn in excess of current needs are deposited with the Province interest free.

NOTE 4

Loans and mortgages receivable

	<u>1990</u>	<u>1989</u>
Loans receivable	\$5,902,737	\$6,438,668
Mortgages receivable	221,204	114,223
Accrued interest	<u>389,118</u>	<u>317,865</u>
	\$6,513,059	\$6,870,756
Allowance for doubtful loans (Note 5)	<u>1,914,900</u>	<u>1,642,700</u>
	<u>\$4,598,159</u>	<u>\$5,228,056</u>

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1990

NOTE 5

Allowance for doubtful accounts

The change in the allowance is accounted for as follows:

	<u>-----1990-----</u>		<u>---1989---</u>
	<u>Specific</u>	<u>Non-Specific</u>	
	<u>Provision</u>	<u>Provision</u>	<u>Total</u>
Balance, beginning of year	\$1,642,700	\$	\$1,642,700
Provision during the year	518,203	186,800	705,003
	\$2,160,903	\$ 186,800	\$2,347,703
Accounts written off	432,803		432,803
Balance, end of year	\$1,728,100	\$ 186,800	\$1,914,900

NOTE 6

Loan commitments and contingent liabilities

Loan commitments - undisbursed balance of
approved loans

Contingent liability - bank loan guarantees

<u>1990</u>	<u>1989</u>
\$ 250,355	\$ 228,219
\$ Nil	\$ 40,000

NOTE 7

Court award

In 1980, a judgement was rendered against the Fund which resulted in certain real property being returned to the plaintiff. An estimated assessment of damages is reflected in the statement of operations.

NOTE 8

Due from Province of Manitoba

The Province of Manitoba provided a grant to cover the Fund's anticipated subsidy requirements for the year ended March 31, 1990. The amount of \$836,575 (1989-\$868,822) which is shown on the balance sheet represents additional funds needed to cover the actual requirements for the year.

NOTE 9

Comparative figures

Certain comparative figures have been restated to conform with the presentation of the current year.

NOTE 10

Fixed assets, at cost

Office furniture and equipment

Accumulated depreciation

<u>1990</u>	<u>1989</u>
\$ 79,832	\$114,670
40,315	53,916
\$ 39,517	\$ 60,754

COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES
Year ended March 31, 1990

	<u>1990</u>	<u>1989</u>
Communications	\$ 24,210	\$ 24,132
Consultants' fees and expenses	3,624	49,132
Credit reports	16,356	22,184
Depreciation	10,318	10,632
Directors' fees and expenses	53,429	52,561
Investigation expenses	6,363	35,443
Legal and audit	45,309	86,148
Office supplies and expenses	22,875	29,687
Rent and utilities	122,711	118,105
Salaries and employee benefits	539,091	716,177
Sundry	23,848	16,030
Travel	27,759	42,366
Administrative expenses (Page 3)	<u>\$ 895,893</u>	<u>\$1,202,597</u>